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TAGS: ECON EFIN EINV SOCI PGOV PINR VM
SUBJECT: (C) ONE BUSINESSMAN'S TAKE ON CORRUPTION IN VIETNAM

CLASSIFIED BY: Kenneth J. Fairfax, Consul General, U.S.
Consulate General Ho Chi Minh, Department of State.
REASON: 1.4 (b), (d)

¶1. (C) For decades, "what Westerners call corruption" has been the foundation of both politics and business in Vietnam, according Hang Vay Chi, a long-time confidant of leaders from the southern provinces. This one-time journalist turned industrial park developer confided that his own big breakthrough came in the form of an early 1990s land deal involving the wife of Vietnam's current president Nguyen Minh Triet. The process of rising to the top in Vietnamese politics virtually requires time spent (making money) as "a big fish in a small pond before you can be a small fish in the big pond" of party politics, Chi assessed. But hope for reform lies with the next generation, Chi said, recounting the indignation his daughter -- who studied in the United States before returning to work for her father's company -- felt and expressed when a supplier suggested a shady deal. End summary.

One Businessman's Story of Industry and Politics

¶2. (C) In the 1960s and early 1970s Mr. Hang Vay Chi was a newspaper reporter in Saigon, writing for "Ji Ji" and other Chinese-language newspapers. After the war, and especially during the 1980s, most ethnic-Chinese in Saigon were ostracized, discriminated against and even encouraged to leave Vietnam. Chi stayed in Vietnam, though, and opened a company producing instant noodles and other foodstuffs at a time when government policies had led to widespread hunger and malnutrition. When the "doi moi" economic reforms later in the decade, Vietnam once again warmed to its ethnic Chinese citizens and Chi expanded his business.

¶3. (C) In the early nineties then-prime minister Vo Van Kiet began courting overseas (especially Singaporean) investment, so Chi cobbled together an industrial park in rural Binh Duong province roughly 20 miles from Ho Chi Minh City. According to Chi, his Viet Huong Industrial Park (VHIP) struck the right balance of local and foreign -- Singaporean investors saw him as a Chinese businessman who spoke Vietnamese while Prime Minister Vo Van Kiet saw him as a Vietnamese businessman who spoke Chinese.

¶4. (C) With his business credentials established in Binh Duong, Chi says he quickly formed strong relationships with provincial officials including Phan Van Khai (Khai later became Prime Minister) and Nguyen Minh Triet (currently president of Vietnam). Vietnam's leaders from time to time questioned the loyalty of ethnic Chinese businessmen to Vietnam; Chi says Party Secretary Nong Duc Manh once pointedly asked Chi which country he would fight for "when China invades Vietnam?" Most leaders were enthusiastic about building (both legitimate and illegitimate) connections with private businesses, however, and Chi thinks this might have been that because private companies were a new alternative (source of money and influence) to the State-owned enterprises that were/are inherently part of Vietnam's political system.

Anatomy of a Provincial Land Deal

15. (C) Chi said his big break came in the form of an early nineties land deal with Ms. Tran Thi Kim Chi, wife of Nguyen Minh Triet, then the People's Committee Chairman of Binh Duong. According to Chi, Triet's wife had purchased 300 hectares of agricultural land in Binh Duong for 3,000 Vietnamese dong (VND) per square meter and sold it to Chi for 300,000 VND per square meter. (Note: A back of the envelope calculation in nominal terms at historical exchange rates suggests she pocketed a quick million USD in this transaction. Vietnam's per capita income in 1995 was little over \$200. End comment.) When the land was later rezoned, Chi then developed the land for an industrial park and was able to realize 850,000 VND per square meter. Chi emphasizes that these were the prevailing land values for "rural" and "industrial land" at the time, but acknowledges relationships and insider knowledge were crucial to each step in the transaction.

The Salary is Okay, but the Benefits Are Better

16. (C) Climbing the ladder in Vietnamese politics generally requires officials to spend time in the provinces, Chi said, as a "big fish in a small pond before you can be a small fish in the big pond" of party politics. Party leaders need to build not only political but also financial support, he continued, adding that Can Tho in particular seems to be a stepping stone for those aspiring to politburo membership. This also explains why the position of Consul General at the Vietnamese Consulate in San Francisco, not the top job in New York or Washington, is "the most sought after post in the world" for the politically connected in Vietnam's foreign service, Chi stated, because of the "enormous opportunities" that the San Francisco consular district and its large overseas Vietnamese population, afford the incumbent. The previous Vietnamese Consul General in San Francisco pocketed millions before moving on to become Vice Chairman of the Can Tho People's Committee in 2006, Chi claimed.

[Note: The most recent former Vietnamese Consul General in San Francisco, Tran Tuan Anh is also the son of former president Tran Duc Luong and is currently vice-chairman of the Can Tho People's Committee. End note.]

Hoping for a Generational Shift

17. (C) Chi acknowledged that the country's politics makes Vietnam a very difficult place to do business, especially for foreign companies. This culture is starting to change in parts of the economy that have been liberalized, but Chi said it will take a generation of professionals who studied abroad before the system truly begins to change. Chi's daughter studied finance in the United States before returning to work at his company. He observed that the assumptions about transparency and rule-of-law she learned in the United States are sometimes a liability in Vietnam's present environment, but that when enough students return to reach some critical mass Vietnam will see change and improvement. Current deputy prime ministers Nguyen Thien Hai and Nguyen Thien Nhan best embody this hope, Chi concluded, and added he hopes that Hai will be Vietnam's next prime minister.

Comment:

18. (C) Separating money from politics is a daunting challenge in any country. This is just one businessman's story but it provides a tangible example of a corrupt mechanism that many interlocutors have described -- using land transactions to create wealth for politicians. Rumors abound that the current generation of leaders continue to employ this strategy, including HCMC Party Secretary Le Thanh Hai in the Thu Thiem district of HCMC. Chi's comment that "what Westerners call corruption" is normal business/politics in Vietnam also reflects what others have been telling us. While the GVN does appear to be clamping down on bribe-taking/giving, which they view as clearly a form of corruption, the use of insider access to obtain lucrative land rights or shares in business deals is often viewed as simply being good business. This insider's view of the murky waters of politics and money in Vietnam suggest that over time, education and rule of law programs offer the

best hope to improve Vietnam's commercial environment. End
Comment.

¶9. (U) This cable was coordinated with Embassy Hanoi.

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